



OFFICE OF
INSURANCE COMMISSIONER

3508 01/13/06

\$5,000.00 ✓

IN THE MATTER OF)	
)	ORDER NO. D05-437
AMERICAN INCOME LIFE)	
INSURANCE COMPANY,)	CONSENT ORDER
)	LEVYING A FINE
An Authorized Insurer)	

FINDINGS OF FACT

1. American Income Life Insurance Company ("AILIC" hereafter) is an insurer authorized to transact life and disability insurance in the State of Washington.
2. In 1983, AILIC filed with the Office of Insurance Commissioner ("OIC" hereafter) a blanket disability insurance policy form (number SGADD R05 WA) which was approved by the OIC on February 16, 1983, as a blanket product.
3. In 2005, following a consumer complaint, the OIC learned that AILIC had been marketing the policy to unions, associations such as VFW and Eagles Clubs, and to employers whose insured employees were not defined by reference to exceptional hazards incident to their employment. The OIC also learned that AILIC had not issued certificates of coverage to the covered individuals.
4. The commissioner has not determined that these groups are eligible for issuance of blanket disability insurance.

CONCLUSIONS OF LAW

1. Pursuant to RCW 48.21.040, entities such as the employers, clubs, and unions to which AILIC sold blanket disability insurance are ineligible to purchase blanket disability insurance, and AILIC violated RCW 48.21.040 by selling blanket disability insurance to such ineligible groups.
2. Pursuant to RCW 48.21.080, an insurer issuing group disability coverage shall issue for delivery to each insured employee or member a certificate setting forth the essential features of the coverage and to whom the benefits are payable. By issuing disability policies to groups that were eligible for group, but not blanket, disability coverage without issuing individual certificates, AILIC violated RCW 48.21.080.

CONSENT TO ORDER

NOW, THEREFORE, AILIC consents to the following in consideration of its desire to resolve this matter without further administrative or judicial proceedings, and the Insurance Commissioner consents to settle the matter in consideration of AILIC's payment of a fine as set forth below.

1. AILIC consents to entry of the foregoing Findings of Fact and Conclusions of Law and this Order, acknowledges its duty to comply fully with the applicable laws of the State of Washington, and waives further administrative or judicial challenge to the OIC's actions related to the subject matter of this Order.
2. Within thirty days of the entry of the Order, AILIC agrees to pay to the OIC a fine in the total amount of \$5,000.
3. Failure to pay the fine set forth in paragraph two shall constitute grounds for the revocation of AILIC's certificate of authority and for the recovery of the full fine.

EXECUTED and AGREED this 19 day of DECEMBER, 2005.

AMERICAN INCOME LIFE INSURANCE COMPANY

Signed Name: 

Printed Name: JOEL SCARBOROUGH


Printed Title: AVP & ASSOCIATE COUNSEL

ORDER:

Pursuant to RCW 48.05.185, the Insurance Commissioner hereby imposes a fine of Five Thousand Dollars (\$5,000) upon American Income Life Insurance Company. The fine must be paid in full within thirty days of the entry of this order in Tumwater, Washington. Failure to pay the fine timely shall constitute grounds for the revocation of the insurer's certificate of authority and for the recovery of the fine in a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.

ENTERED AT TUMWATER, WASHINGTON on this 30th day of December, 2005.

Mike Kreidler
Insurance Commissioner

By: 
Charles D. Brown
Staff Attorney, Legal Affairs